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THE UNITED STATES AND CHINA

COMMUNICATION

FROM

THE SPEAKER

TRANSMITTING

A REPORT

TO THE UNITED STATES HOUSE OF REPRESENTATIVES

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98TH CONGRESS, 1ST SESSION

H. Res. 173

Authorizing the printing as a House document of the report of the Speaker entitled "The United States and China".

IN THE HOUSE OF REPRESENTATIVES

April 27, 1983

Mr. GAYDOS submitted the following resolution; which was considered and agreed to.

RESOLUTION

Resolved, That the report of the Speaker entitled "The United States and China" shall be printed as a House document.

SEC. 2. In addition to the usual number, there shall be printed one thousand copies of such document for the use of the House.

Introduction

In February of this year I accepted an invitation of the National People's Congress of the People's Republic of China to visit their country. I consulted Secretary of State George Shultz regarding the invitation and he strongly encouraged me to accept it. Consequently, I did just that and proceeded to assemble a very senior delegation. The delegation visited China between March 26th and April 3rd. During that period we met in Beijing with Chairman Deng Xiaoping, Premier Zhao Ziyang, Foreign Minister Wu Xueqian, Deputy Foreign Minister Han Xu, N.P.C. Vice Chairman Peng Zhen and N.P.C. Vice Chairman Liano Chengzhi. We also visited the ancient capital city of Xian, the industrial and port city of Shanghai and the scenic city of Hangzhou.

Our discussions with Chinese leaders were candid and to the point. Our Chinese hosts were very hospitable and most cooperative. We deeply appreciated the attention they gave this visit and we consider the efforts they made on our behalf a genuine gesture of goodwill.

On behalf of the delegation I especially want to thank our able and experienced Ambassador Arthur W. Hummel, Jr., Deputy Chief of Mission Charles W. Freeman, Jr., Political Officer Richard Hart and Consul General Donald Anderson for their expert advice and invaluable assistance.

In addition, I wish to thank my good friend and former congressional colleague Ambassador Mike Mansfield for receiving and briefing the delegation during our brief stop over in Tokyo.

Also and again on behalf of the delegation I acknowledge our deep appreciation for the assistance given us by our Mission Chief in Singapore Morton S. Smith and in Hong Kong by Consul General Burt Levin.

This report was reviewed by the Ranking Minority Member of the delegation, Silvio Conte. The views expressed herein are my own and do not necessarily represent those of any individual Member or the delegation as a whole.

Finally, I would also like to note at this point the fact that Representative Silvio Conte made a special plea for the release, from jail in China, of Bishop Gong Pinmei and Father Vincent Chu. Mr. Conte's plea was supported by the entire delegation.

Members and staff accompanying the Speaker on the congressional delegation to China were:

Representative Dan Rostenkowski, Chairman of the Ways and Means Committee (D-IL)

Representative Silvio Conte, Ranking Minority Member of the House Appropriations Committee (R-MA)

Representative Clement Zablocki, Chairman of the House Foreign Affairs Committee (D-WI)

Representative Melvin Price, Chairman of the Armed Services Committee (D-IL)

Representative Edward Boland, Chairman of the Select Committee on House Intelligence and Chairman of Housing and Independent Agencies (D-MA)

Representative Delbert Latta, Ranking Minority Member of the House Budget Committee (R-OH)
Representative Joseph G. Minish, House Committee on Banking, Finance and Urban Affairs (D-NJ)
Representative Charles Rangel, Chairman of the House Select Committee on Narcotics Abuse and Control and Member of the House Ways and Means Committee (D-NY)
Representative Bill Young, House Committee on Appropriations (R-FL)
Representative Joseph Moakley, House Committee on Rules (D-MA)
Representative John Murtha, House Committee on Appropriations (D-PA)
Representative Ralph Regula, House Committee on Appropriations (R-OH)
Representative Tony Coelho, House Committee on Agriculture (D-CA)
Representative Harold Rogers, House Committee on Appropriations (R-KY)
Kirk O'Donnell, General Counsel to the Speaker
James Healey, Special Assistant to the Chairman, House Committee on Ways and Means
Dr. Freeman Cary, Capitol Physician
Dessa Vrtikapa, staff, Office of the Speaker
Charles Wollerton, staff, House Committee on Appropriations
Powell Moore, Assistant Secretary of State for Congressional Relations, Department of State
Russell Rourke, Assistant Secretary of Defense for Congressional Relations, Department of Defense
Mr. Will Itoh, Congressional Affairs, State Department

We began our visit at a time when a number of issues were straining Sino-U.S. relations. Ironically, most of these problems were the result of the rapidly expanding contact between our two nations that has followed normalization of relations. For example, trade between the United States and China has grown significantly over the past several years. During fiscal year 1982 China was our fifth largest market for agricultural goods and our fourteenth largest trading partner. Overall bilateral trade figures surpassed five billion dollars in 1982.

The balance of merchandise trade favors the United States. Between 1978 and 1982 the U.S. trade surplus was approximately seven billion dollars. However, the growth of China's share of the U.S. textile import market from 6.3% in 1980 to 11% in 1982, and our inability to arrive at a mutually acceptable agreement to govern China's textile exports to us led to the unilateral imposition of controls on Chinese textile imports on January 18, 1983. China responded immediately by stopping purchases from the United States of soybeans, cotton, chemical fibers and assorted agricultural goods. In this instance closer ties and burgeoning trade between the two countries have led to a contentious issue that to date has defied resolution.

Another contentious issue is that of technology transfers. China is classified in parallel with the Soviet Union and Eastern Europe as a destination where dual use export controls apply. This rankles the Chinese. Both Secretary Haig and Secretary Shultz as a result of their visits to China have tried to improve the situation while still meeting our legitimate security interests. They have succeeded to a degree but not enough to satisfy the Chinese nor for that matter American businessmen in China. The current cumbersome licensing process does not reflect Administration policy nor the intent of Congress. Bureaucratic obstacles need to be eliminated and the transfer process accelerated dramatically. It is an obvious area of opportunity where problems between the U.S. and China can be resolved in a mutully satisfactory manner.

Another area where closer ties have led to thorny problems is cultural and sports exchanges. Encouraging cultural, educational and sports exchanges has been an explicit strategy for promoting better relations between the U.S. and China. Indeed one of the first signs of the ice breaking in Sino-U.S. relations was the historic table tennis matches in 1971. These exchanges have grown to the point where, approximately, one hundred delegations a month from China were visiting the U.S. in 1982 and more than one hundred thousand Americans visited China during the year.

However, last summer during one of those exchanges, the Chinese tennis star Hu Na applied for political asylum in the United States. Her case was pending during our visit to the People's Republic of China. In fact, I received a letter from her parents during my visit. I replied to them before I left by explaining the asylum process and

promising to deliver the letter to Attorney General Smith. But just following our departure the Justice Department announced that it would grant her asylum.

Hu Na was the eighth Chinese citizen granted asylum since the passage of the Refugee Act of 1980. Ninety-four have been denied asylum and one thousand and thirty applications for asylum by ethnic Chinese are pending. (INS China classifications include Taiwan.)

The Chinese response to the Hu Na decision was swift and significant. They suspended all official cultural and international sports exchanges with the United States scheduled for 1983. This development is a serious setback for Sino-U.S. relations. These exchanges are an essential element in the development of closer ties between China and the United States. As in the case of textiles the Chinese response was quick but it was limited to the specific area of bilateral contact where the dispute occurred. Nevertheless, these limited responses have considerable impact and as disagreements proceed unresolved the cumulative impact of these responses may become even more significant.

Although the matters were not formally raised during our visit the issues of China's desire to join the Asian Development Bank and the default judgment in *Jackson* v. *The P.R.C.* No. 79–C–1272–E, (Northern District of Alabama, September 1, 1982) are potentially damaging to bilateral relations. In the Hukuang Railway Bond default case the Department of State is working hard to find a way to reconcile Chinese views of sovereign immunity with the Federal Rules of Civil Procedure.

The most difficult issue in Sino-U.S. relations is Taiwan. For thirty years following the Communist victory in China the United States Government recognized the Nationalist authorities on Taiwan as the legitimate government of China. However, on January 1, 1979 the United States recognized the People's Republic of China as the "sole legal government of China". The United States also acknowledged in the Joint Communique of January 1, 1979 the Chinese position that "there is but one China and Taiwan is part of China". Within this context, the Joint Communique also states that the "people of the United States will maintain cultural, commercial and other unofficial relations with the people of Taiwan". Pursuant to this and soon after the Carter Administration recognized China the Congress passed the Taiwan Relations Act.

By passing the Act, the Congress provided the statutory basis for maintaining unofficial people-to-people ties with Taiwan. In addition, it expressed its interest in the security of the people on Taiwan and provided the vehicle for arms sales to Taiwan. No doubt it is these latter provisions that the officials of the P.R.C. find so offensive. Faced with such a senior congressional delegation, the official who we met with seldom passed up the opportunity to denounce the Act and demand its repeal. They view it as unwarranted interference in their internal affairs and an affront to their sovereignty. They even maintained that the Act itself was a greater problem than arms sales to Taiwan.

Chairman Zablocki explained the legislative history of the Act and the intent of Congress when it passed the Act. I made it clear that there was not sentiment in Congress to change the Act. In addition, I explained that the overwhelming majority of the Members of Con-

gress wanted closer ties to China and that they did not believe the Act should be an obstacle to those ties. My remarks did not seem to make the Act any less of an obstacle in the eyes of the Chinese. On the contrary they took the opportunity to place the Act in the context of modern Chinese history during which Chinese sovereignty was infringed upon in a variety of ways by a variety of nations including the United States.

Last summer the question of arms sales to Taiwan was a sharp thorn in the side of Sino-U.S. relations. There were frequent rumors that the Chinese might recall their Ambassador to the United States. But this did not happen. Instead, on August 17, 1982 the U.S. and China signed a Joint Communique, which provides a framework for managing the issue of U.S. arms sales to China. It contains a Chinese statement of its fundamental policy of striving for a peaceful resolution of the Taiwan question and a parallel U.S. policy statement that U.S. arms sales to Taiwan will not exceed, either in qualitative or quantitative terms, the level of those supplied in recent years since the establishment of diplomatic relations between the U.S. and China. It further states that the U.S. intends to reduce gradually its sales of arms to Taiwan. Needless to say, Chinese officials objected to our estimated projections for FY 1983 arms sales to Taiwan of 800 million dollars. Despite the fact that it represents a one-third increase in the dollar of arms sales over FY 1982, the Administration maintains that this figure, once adjusted for inflation is consistent with the Joint Communique.

Although the Communique does not resolve the issue of U.S. arms sales to Taiwan, it does represent an important effort to deal with this issue. It should be complied with if at all possible.

Taiwan is an unsettled issue in Sino-U.S. relations. It is not likely to be finally resolved in the near future. For the leaders of the P.R.C. it is a highly emotional issue. Nevertheless, it has not been so significant an obstacle that it prevented the establishment of diplomatic relations and the subsequent growth in trade and people-to-people contacts. The United States has categorically rejected a "two China" policy and China has stated as a matter of "fundamental policy" it will seek a peaceful resolution of the Taiwan question. With those two policy anchors, China and the United States need not drift apart over Taiwan.

But the fact is that on this issue more than any other the mutual trust so eagerly sought by both countries is lacking. Although the Taiwan question is likely to remain a challenge to improved Sino-U.S. relations for some time it has not been and is not an absolute bar to improving bilateral relations. Although it is a ubiquitous problem three Communiques have provided a framework for dealing with it that has not existed in the case of new problems like Hu Na, the Hukuang Railway Bonds and textile imports. As a result these past normalization problems have already done or threaten to do more damage to bilateral ties than the Taiwan question. If the Taiwan question were resolved, then the atmosphere for settling problems of all kinds in the Sino-U.S. relationship would improve immeasurably.

The Taiwan question is bound to demand an enormous amount of time and attention from U.S. policymakers. It deserves it. President Reagan has stated that "our relationship with the People's Republic

of China is important not only for peace and stability in Asia but around the world . . .". I agree with that observation and because of it the difficult issue of Taiwan should continue to be monitored very carefully.

In our meeting, Chairman Deng outlined the three major goals for China in the eighties and nineties. The first was "opposing hegemonism and promoting world peace"; the second was successfully implementing the "four modernizations" program; the third was "reunification with Taiwan".

Assuming that our country is not regarded as "hegemonic" by the Chinese, the United States can certainly be helpful in the first two goals. The United States position on the third goal is that it is an internal matter for the P.R.C. and Taiwan to work out. Our sole concern is that any resolution be peaceful.

Common strategic interests are obvious. China and the U.S. agree on the threat of Soviet expansionism. We oppose the Soviet occupation of Afghanistan and Vietnam's occupation of Kampuchia. The Soviet Union is a destablizing force in Asia while China is a stabilizing force in Asia. As the Soviets increase the size and projection of their Pacific Fleet and as they increase their deployment of SS20's in Asia the importance of maintaining friendly relations between China and the United States should not be underestimated.

Premier Zhao informed us that 1982 was a good year for the Chinese economy. Overall growth in G.N.P. was likely to exceed five per cent for the year. Agricultural growth was even higher. After a rocky start China's economic reform and readjustment program seems to be taking hold. After concluding, as stated by Premier Zhao that "equalitarianism does not equal socialism" the Chinese leadership is moving to make its industrial and agricultural sectors more productive by introducing more incentives into the system and by decentrali.ng their highly centralized planned economy.

The Chinese leadership is quite encouraged about the results so far particularly in the agricultural sector. Following nearly thirty years of emphasizing self sufficiency China is promoting foreign investment and foreign trade. The United States can be a contributor to Chinese economic reform. Currently, the United States is their third largest source of imports.

In China economic readjustment has serious political ramifications. Consequently, these reform plans most recently received the approval of the 12th Party Congress in September of 1982 and in December of 1982 the National People's Congress enacted a new five year plan based on the reform approach. In addition, China's new constitution endorses "socialist modernization".

From our discussions and travel through China it seems that the commitment to modernization and economic reform is deep-seated and broad based. On several occasions Chinese officials reiterated their commitment to the reform process and reassured us that there would be no sudden changes in that process. They were quite frank about the very adverse political and economic consequences of the Cultural Revolution and very emphatic that upheavals of that sort were a thing of the past. By adopting a new constitution and upgrading the role of the National People's Congress it is apparent that the leadership is trying to build a more stable institutional base for the govern-

ment. The economic readjustment is not a simple task because China is so vast, so populous and so far behind industrially and agriculturally. But at the moment the reforms are producing satisfactory results and they seem to have the strong support of the Party and the people.

The United States has both an economic and political interest in helping China realize its economic goals. The economic interest has already been mentioned. China is becoming an important trading partner. Its economic readjustment has triggered an opening to the West in trade and educational exchanges.

Politically, success in economic readjustment and reform will promote political stability in China. This stability is most desirable at a time when the Soviet Union is actively trying to destabilize Central Asia and Southeast Asia.

It was quite apparent to me that China's leaders have learned from the mistakes of the past thirty years and are ready to make the necessary adjustments to modernize their economy. But they will not do it at what they perceive as a sacrifice of their national dignity or independence. This was apparent in how quickly they modified their initial economic reform plans when those plans caused high budget deficits. The Chinese were not about to incur large debts to outsiders in order to modernize. This is in stark contrast to the approach taken by several socialist countries in Eastern Europe.

It is also apparent in their extreme sensitivity to American policy and American attitudes towards Taiwan. It is clear to me that anything said or done by a Member of Congress or a Member of the Executive Branch is noted and assessed by the government of the People's Republic of China. In most cases, I believe that they dwell too much on statements made by American officials about Taiwan or make too much of resolutions filed in Congress that deal with Taiwan.

I left China with the clear impression that despite the fact that there were ten thousand future leaders of China studying in the United States and that trade between our two nations was quite significant, the gulf between our two countries was growing wider rather than narrower.

Differences of opinion and just plain misunderstandings were becoming differences of principles. Small problems were becoming grouped with big problems. A genuine commitment on both sides to resolve these differences was lacking.

The major lesson of the past decade of established relations between the United States and China is that the relationship has been mutually beneficial, particularly in regard to trade, economic development and strategic concerns. It is a relationship between two great powers with very different economic and political systems.

The initial euphoria following the establishment of the relations has worn off. In some instances unrealistic expectations have taken their toll on relations, in others results have exceeded expectations.

The United States is a new nation, a nation of immigrants, united not by a common culture but rather by a common political ideal, democracy.

China on the other hand is the oldest extant civilization in the world. Its culture and its history give it its national identity, its recent revolution gives it its political identity.

The political, religious and cultural differences between the two countries are great. Yet over the past decade considerable progress has been made in improving bilateral relations.

But today the relationship is very uncertain. In response to the cancellation of cultural exchanges, a series of newspaper articles have appeared which discount the Chinese action as limited in nature and point instead to the fact that the Chinese need U.S. technology, grain and strategic presence to achieve their ambitious national goals. I do not dispute the fact that they value these ties to the United States. But I also believe that we must be concerned about the significance of the Chinese response to the Hu Na decision and what the consequences will be of a continued deterioration in Sino-U.S. relations.

Lately, the United States has been a preferred source of technology and agricultural products for China but it is not the only source. If we are not careful we may force the Chinese to look elsewhere for alternative sources for these needs.

My travels through the countryside of Shaanxi Province and Zhejiang Province made me acutely aware of how labor intensive and how technologically backward China's agricultural sector is. In addition, I could readily see why upgrading transportation arteries are a major element of the modernization program. China has an enormous task ahead of it. It is a task that includes a role for the United States. We have begun to play that role already. Whether we continue to play it is now in doubt.

Preserving that role and eliminating that doubt must be a top priority of U.S. policymakers in the Executive Branch and the Congress. Our relations with China should not become more strained because of a failure to resolve problems that arise because of closer ties between the two countries. Naturally, as contacts increase so will the number of problems but there is no good reason why they should not be resolvable.

One Chinese leader quoted a proverb to us: "Seek the common ground while having differences". Today differences are preventing China and the United States from reaching the common ground. We must not permit that to continue. Because if it does then John K. Fairbank's observation about Sino-U.S. relations will continue to apply, namely: ". . . China in our experience has usually been only promises unrealized . . .".

Both the Chinese and the United States maintain that we can achieve a better accord by increasing our mutual understanding. I am convinced that my colleagues and I did just that during our visit. I am hopeful that in the not-too-distant future we can say our visit helped reverse the current trend of deteriorating relations between the United States and China.

SINGAPORE

Following our visit to China the delegation visited the Republic of Singapore. The visit occurred during the Vietnamese offensive in Cambodia. Singapore, an ASEAN member, strongly opposes Vietnam's occupation of Kampuchea and vigorously condemned their latest offensive.

In our meeting with Foreign Minister Dhanabalan, he expressed serious concern about the growing presence of the Soviet Union in Southeast Asia.

He noted with favor the continued presence of the United States in the region and felt it was necessary to offset the Soviet buildup.

Prime Minister Lee focused on the state of the world economy and the need for the United States to put it on a firmer foundation by lowering interest rates and leading the world out of the current recession. Because of Singapore's dependence on world trade and commerce the Prime Minister was concerned about the solvency of the international banking system and the willingness of the United States to take the lead in straightening out many of the current intractable economic problems.

The officials we met with in Singapore were concerned that the United States should renew its G.S.P. trade program in such a way that Singapore will continue to be included in it.

Singapore is an impressive example of how effective political leadership and free enterprise can promote economic growth. It is a solid example of why the Pacific and Asia will be the overwhelmingly dominant market for the United States in the twenty-first century.

I am convinced that as long as the area is politically stable the region will flourish economically just as Singapore and Hong Kong have done already. Because of our economic interest in the Pacific we have a genuine reason for preserving political stability through the presence of our Pacific Command Defense Forces. As long as the Soviet Union and its surrogate Vietnam are not permitted to further destabilize the region I am convinced Asia will continue its economic take-off and as a result the United States will benefit politically, strategically and economically.

[Addendum]

THE SECRETARY OF STATE,
Washington, March 12, 1983.

DEAR MR. SPEAKER: I was pleased to hear that the National People's Congress has invited you to lead a House delegation to China during the Easter recess. I know that the Chinese attach great importance to the possible visit of your delegation particularly as you have not personally had the opportunity to visit the PRC before. From our perspective your visit would serve to continue the high-level dialogue that we maintain with the Chinese leadership.

I strongly encourage you to accept the invitation of the National People's Congress and assure you of the Department's complete support in working out the arrangements for your visit.

Sincerely yours,

GEORGE P. SHULTZ.

THE HONORABLE
THOMAS P. O'NEILL, JR.,
Speaker of the House of Representatives.

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